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# GEOECONOMIC RISKS FACED BY THE RUSSIAN BALTIC REGION AMID A DETERIORATING GEOPOLITICAL SITUATION

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*This article is a conceptual theoretical-empirical study of the geopolitical risks the Baltic Russian regions have faced amid the deteriorating geopolitical situation observed since 2014. The Baltic Russian regions are in a vulnerable position because of their geographical vicinity to EU countries, with which they share common borders, and the dramatically worsening military and political situation. To analyse geoeconomic risks, the author employed an earlier proposed methodology, which has been tested in Russia and abroad. Four types of geoeconomics risks are examined: spatial, economic, socio-demographic, national geopolitical and regional geopolitical. Overall, five levels of geopolitical risks can be distinguished. The contribution sets out to provide a conceptual picture of the geoeconomic risks which the Baltic Russian territories — St. Petersburg, the Republic of Karelia and the Leningrad, Kaliningrad, Novgorod, Pskov and Murmansk regions faced in 2014–2021 as the geopolitical situation changed for the worse in the wake of the Ukraine political crisis (2013–2014). The objectives of the study included selecting economic, social and international trade indicators and analytics matching each type of the geoeconomic risks. To identify the geo-economic risks of the selected regions, three basic indicators are considered — population, GRP, foreign trade turnover, and changes in other indicators for 2014–2021 were tracked. Eighteen risks divided into four types were explored for the Baltic Russian regions. The geoeconomic risks were grouped into two categories: spatial/geopolitical and economic/socio-demographic. A preliminary assessment of the regional risks was obtained using a methodology proposed by the author. The risks in the spatial/geopolitical category are substantial for the Kaliningrad region, whilst the Pskov region and Karelia proved to be most susceptible to the economic/socio-demographic risks.*

## **Keywords:**

geoeconomic risks, geopolitics, geoeconomics, Baltic Russian regions, Baltic region, tensions in Europe, geopolitical risks, instability, geopolitical crisis

## **Literature Review and Problem Statement**

The article studies geopolitical risks to the Russian Baltic regions in the context of the deteriorating geopolitical situation in 2014–2022. However, the article does not assess new geopolitical risks associated with the dramatic geo-

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political changes in Europe after February 24, 2022, brought about by the start of a special military operation of the Armed Forces of the Russian Federation in Ukraine. The reason is that from February 24, 2022, to March 18, 2022, the collective West and the EU imposed more than 2,000 additional restrictions on Russia in economic, social, humanitarian, scientific-technological and media spheres. This so-called "sanctions pressure" on Russia and the Republic of Belarus is increasing. In the near future, until the end of the operation, it is expected to escalate and include measures against the border regions of Russia considered in this study. In distinguishing the Russian segment of the Baltic region (Russian Baltic), we rely on an exhaustive study [1] proposing an extensive approach to delimitating it ("expanded A" — VASAB). In this study, we consider St. Petersburg, the Leningrad, Kaliningrad, Novgorod, Pskov, Murmansk regions and the Republic of Karelia.

The article proposes to test the hypothesis that the Russian Baltic regions are in a rather vulnerable position and face high geoeconomic risks taking into account the fact that geographically they are adjacent to the EU countries bordering on them, as well as the long history of their cross-border cooperation and well-established economic relations. Clearly, a dramatic escalation in Europe will have profound socio-economic and political consequences, including restrictive measures of the Western countries against the residents of the Russian Federation and the Republic of Belarus, as well as against economic agents operating outside those states; a new migration crisis with Ukrainian refugees all over Eastern Europe, including the Russian Federation; the build-up of military infrastructure and military contingents in Eastern Europe, including in the border regions of the Russian Federation; the disruption of global value chains involving Russian regions; potential expansion of the conflict zone through the involvement of the Visegrad Group countries and the Baltic States; the exodus of Ukrainian fighters and nationalists to neighbouring states and a sharply increasing terrorist threat to Russian regions, etc.

The academic community has been discussing the concept of geopolitical risks for quite a while (since the 1950s, according to Shvets [2]). Most often it is viewed as a potentially limiting factor in the development of a territory. Topical articles on social and geographical issues ([3–9]) confirm researchers' interest in this phenomenon. Having summarized the accumulated knowledge, some authors [6] conclude that geopolitical events and the resulting geopolitical uncertainty (civil unrest, terrorism, civil conflicts, government changes, elections and political upheavals) have a profound impact on the economic performance of individual countries and regions. The political crisis in Ukraine (2013–2014) is an example of how civil conflicts and internal instability can lead to a decline and degradation of the economy. By 2018, Ukraine lost 20% of its industrial production, while the fall in GDP in 2014–2015 alone was 16.5%. The Donbas

blockade incurred losses of an estimated 2 % of GDP (1.9 billion USD). At the same time, the Ukrainian crisis of 2014 has led to an increase in regional geopolitical uncertainty and tension in the European region, and its aggravation in 2022 is fraught with the deepest socio-economic and political crisis in the EU countries and serious challenges for Russia's economy (mutual sanctions and restrictions of the West and Russia; a surge in energy, raw materials and food prices; a radical drop in trade; mounting military tension on the external borders of the EU member states; escalating contradictions; a humanitarian crisis, etc.).

In [8], it is stated that geopolitical risks include both the risks of these events unfolding and the new risks associated with the escalation of the current situation. That is why market participants (businessmen, economic agents and firms, central bank officials) consider geopolitical risks as key factors in investment decisions and stock market dynamics.

Geopolitical risks have a clear regional focus. For instance, Ezhiev notes that traditionally the aim of studying risks to a particular region was to assess their degree under existing or potential political, economic, psychological and other conditions and to underpin the decisions of a particular subject on the ways to minimize risks and drive the strategic enemy out of a certain space [10]. Dzhus notes that in a narrow sense, geopolitical risks are the probability of a direct or indirect impact of political events on the activities of economic agents [11].

International research groups (for instance, Supply Wisdom-2020 ) publish annual analytical reviews on geopolitical risks, which confirms the importance and relevance of research into them. Supply Wisdom puts geopolitical risks among 14 others and considers them at the country level. Their studies accentuate the intrinsic properties of this phenomenon, as well as provide a link to geoeconomic risks that are the object of this study. According to Supply Wisdom experts, geopolitical risks include the greatest global business disruptions and supply chain risks that enterprises do not properly control. The experts clearly demonstrate how location risks can vary from country to country. They note that geopolitical risks are static throughout the year, rather, they are constantly changing.

A study by the Finnish Institute of International Relations (2021) understands geoeconomic risks as the ones related to the economy being used by states to achieve their political goals. The authors note that in the world of global supply chains and markets, the factor of supply reliability comes to the forefront, especially during the COVID-19 pandemic as the period (2020—2022) brought new restrictions to the world economy: sanitary control, remote delivery of goods and services, delayed deliveries, "growing securitization", etc. Geoeconomic risks are distinguished from political ones by their territorial, transnational and transboundary nature.

The context of this phenomenon explains the very nature and genesis of geoeconomics, as pointed out by Sparke who believes that geoeconomics is a

surprisingly broad phenomenon encompassing many things: boundless economic zones, strategic economic instruments of foreign policy, such as neoliberalism, nationalism, etc. [13].

Wiegel emphasizes that the types of geoeconomic strategies that he has identified — neo-imperialism, neo-mercantilism, hegemony and liberal institutionalism — are implemented by a regional power and form a regional order in the region that is of interest to such a power [14].

In our conceptual study of geoeconomic risks [15], we distinguish five territorial levels of analysis of these risks (the highest, upper, middle, lower, the lowest) and four types of geoeconomic risks (spatial, economic, socio-demographic, geopolitical).

### **The Russian Baltic regions in the context of the aggravating geopolitical situation**

The Russian Baltic is considered according to the expanded approach proposed by Klemeshev, Fedorov et al. (expanded A — VASAB) [1] comprising seven regions: St. Petersburg, Leningrad, Kaliningrad, Novgorod, Pskov, Murmansk regions and the Republic of Karelia.

To identify the geoeconomic risks to the selected regions, we consider three basic indicators: population, GRP, and international trade, as well as their changes in 2014—2021 (Table 1).

*Table 1*

#### **The Russian Baltic regions in 2014—2021**

Region	Population, thousand people			GRP, billion rubles			International trade, million USD		
	2014	2021	Changes, %	2014	2021	Changes, %	2014	2020	Changes, %
St. Petersburg	5.192	5.384	+ 3.7	2.652	4.800	+ 81 %	53.197	42.439	- 20
Leningrad region	1.776	1.893	+ 6.6	714	1.288	+ 80 %	20.133	8.934	- 56
Pskov region	651	620	- 4.8	121.3	179.7	+ 48 %	1.161	502	- 57
Novgorod region	619	592	- 4.4	205.9	279.9	+ 36 %	2.063	1.912	- 7
Kaliningrad region	969	1.019	+ 5.1	306.2	556.3	+ 82 %	19.592	8.471	- 57
Murmansk region	766	733	- 4.3	320.3	593.8	+ 85 %	2.730	5.055	+ 85
Republic of Karelia	633	609	- 3.8	185.6	340	+ 83 %	1.219	903	- 26
<i>Total</i>	10.606	10.850	+ 2.3	4.505.3	8.037.7	+ 78 %	100.095	68.216	- 32

Table 1 indicates the following trends in the Russian Baltic regions in 2014–2021: population growth continued in the Leningrad region (+6.6%) and St. Petersburg (+3.7%), as well as in the Kaliningrad region (+5.1%) with a decrease in the population in the periphery regions of Pskov (–4.8%), Novgorod (–4.4%), Murmansk (–4.3%) and Karelia (–3.8%). There was a significant increase in GDP with a group of the regions showing fast growth (the Leningrad region, St. Petersburg, the Kaliningrad region, the Republic of Karelia and the Murmansk region) and a group showing low growth (the Novgorod and Pskov regions). There also was a drop in international trade with the two groups identified: one showing a drastic reduction (the Kaliningrad, Pskov, and Leningrad regions) and the other showing a noticeable reduction (Karelia, St. Petersburg and the Novgorod region), while the Murmansk region demonstrated an increase (+85%).

Based on our previous research [15], in this study, we will consider specific geoeconomic risks to the Russian Baltic regions (Table 2).

Table 2

### Types of geoeconomic risks

Type of geoeconomic risks	Subtype	Risk	Code
Spatial (S)	—	The threat of depression in the EU countries and regions	S-1
		The threat of the breakdown of the transnational network in the regions	S-2
		The threat or negative impact of integration processes in the EU and EurAsEC	S-3
		The threat of geoeconomic changes in the regions	S-4
Economic (E)	Global engagement (internationalization of the economy)	The threat of outflow or withdrawal of foreign direct investment from the Russian Baltic regions	E1-5
		The threat to international trade relations and falling exports of the Russian Baltic regions	E1-6
	Economic dependence (interdependence)	The influence of world prices on regional budget revenues	E2-7
	The cyclical nature of the world economy	Monofunctionality as a threat	E3-8
		Losing positions in the world markets	E3-9

The end of table 2

Type of geoeconomic risks	Subtype	Risk	Code
Socio-demographic (SD)	—	The threat of PROTESTS as a result of salary arrears and lay-offs	SD-10
		The threat of further social stratification	SD-11
		The threat of an increase in the workforce and a decrease in their skill level	SD-12
		Threat of depopulation	SD-13
Geopolitical (G)	Hostile environment and tense relationships	Threat to foreign economic relations from the actions of third parties	G4-14
		The threat of war, invasion and local hostilities	G4-15
		Threat to external communications	G4-16
	Adverse political changes in neighbouring countries	The threat of political regime change and redistribution of property and supplies	G5-17
	Threat of hostilities	The threat of economic losses due to cross-border conflicts	G6-18

Table 2 presents 4 types and 18 geoeconomic risks to the Russian Baltic regions. Next, we will consider geoeconomic risk in detail.

### ***Spatial type of geoeconomic risks***

The seven Russian Baltic regions border the EU regions of Finland, Estonia, Latvia, Lithuania and Poland.

As noted earlier [15], the spatial type of risks is associated with a region's position in the geoeconomic space determined by its links with the major elements of the globalized space, including its position regarding world cities, integration associations, international infrastructure, etc.

In this regard, it is appropriate to recall the EU report which notes that the richest regions of this integration group are eight times richer than the poorest

ones, which is a key challenge for the cohesion of Old and New Europe<sup>1</sup>. In addition, the existing and growing regional socio-economic asymmetry is aggravated by internal political, cultural, humanitarian and geopolitical contradictions (migration and gender policy, relations with Russia and with the United States, new migration and humanitarian crisis, the radicalization of European politics and society, the “Ukrainian crisis”, etc.). This creates risks of the EU disintegration and increasing negative processes in its peripheral areas. This indicates that there is no single cohesive EU space, which makes the Russian regions under consideration more prudent in choosing benchmarks and partners.

The report states that the regions of Finland are in a rather advantageous position due to their human potential (a large proportion of a highly-educated workforce), as well as the development of advanced industries (a large share of employment in them). Consequently, Karelia, the Leningrad, Murmansk regions and St. Petersburg are less susceptible to S-type risks, but they cannot compete with them for investments in advanced sectors.

The regions of Latvia, Lithuania, Poland and partly Estonia are at higher risk of globalization due to their great vulnerability in low-value-added and low-skilled sectors. These regions experience difficulty in attracting investment and creating or retaining jobs. For the border regions of Pskov and Kaliningrad, as well as the internal Novgorod region, this means the competition for limited investment resources, while it also creates opportunities for industries and businesses with high added value.

The threat of geoeconomics changes in the regions does not pose a significant risk to most of the regions under consideration, especially after the completion of the EU enlargement and the preservation of the status quo in the Republic of Belarus (after the events of 2020—2021). The exacerbation of geopolitical risks in the region will lead to a deterioration of the geoeconomic situation in the Kaliningrad region, up to the restriction of export/import and land transportation, and a blockade of the region. This risk can be partially mitigated by expanding maritime communication with the Leningrad region and St. Petersburg, as well as increasing air transportation, including through the Republic of Belarus. At the same time, in the context of the Ukrainian crisis, Lithuania and Latvia face a serious choice: the “ukrainianization” of their policies with a subsequent fatal challenge to their security or the gradual normalization of their relations with Russia and the Republic of Belarus and a stable socio-economic and political situation. The current political elites of Lithuania, Latvia and Estonia seem to be unable to comprehend this simple choice and will most probably continue their deadlock.

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<sup>1</sup> Regions 2020: An Assessment of Future Challenges for EU, 2008, *Commission of the European Communities*. Available at: [ec.europa.eu/regional\\_policy/sources/docoffic/working/regions2020/pdf/regions2020\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/regions2020/pdf/regions2020_en.pdf) (accessed 05.01.2022).



Risks associated with the threat or negative impact of integration processes in the EU and EurAsEC primarily affect border regions.

### ***Economic type of geoeconomic risks***

As stated above, all types were identified by the author in [15] and have been extensively tested in geographic research both domestically and internationally. This type consists of five geoeconomic risks, with the subtype of “Global engagement (internationalization of the economy)” being the major. It includes the threat of outflow or withdrawal of foreign direct investment, the threat to international trade relations and falling exports of the Russian Baltic regions. Table 1 indicates that from 2014 to 2021 the trade of the seven regions under consideration decreased from 100 to 68 billion USD, i.e. by 32%. The most dramatic decline was in the most open and globalized regions with significant foreign investment and dependence on integration into global value chains: the Leningrad (-56%) and the Kaliningrad regions (-57%), as well as the border Pskov region (-57%) due to a decrease in commodity exports, the embargo, and the pandemic.

Foreign economic relations with Finland can serve as an illustrative example. In Russia, there are more than 900 companies with Finnish capital with the investments ranging from 12 to 15 billion euros<sup>2</sup>. However, in 2014–2021, there were no new projects in 30 leading in revenue Finnish companies in Russia. In 2014–2015, Finnish companies operating in the Russian market were hit several times: by anti-Russian sanctions, which made banks less eager to lend for development in Russia, by the food embargo, which stopped food imports, and by the collapse of the ruble, which made Finnish goods more expensive, and therefore less competitive. The withdrawal of five major players from the Russian market (Kesko, Neste, Stockmann, Ruukki and Scanfert) was symptomatic. Their total annual turnover at the time of the cessation of their activities in Russia was 56 billion rubles. On the bright side, against the background of mutual sanctions and restrictions, as well as the import substitution policy, there was a noticeable growth in the manufacturing industry in Russia after 2014 as the revenue of the Top 30 increased from 62% in 2015 to 70% in 2019<sup>3</sup>.

Interestingly, foreign investors highly appreciate the opportunities and potential of Russia but note the highest geopolitical and geo-economic risks limiting investment opportunities. Matthias Schepp, Chairman of the Board of the Russian-German Chamber of Commerce (AHK Russland), noted at the end of

<sup>2</sup> Leaders of Finnish business — 2020. Research, 2020, Fontanka.Ru. Available at: <https://www.fontanka.ru/longreads/69553493/> (accessed 05.01.2022).

<sup>3</sup> Leaders of Finnish business — 2020. Research, 2020, Fontanka.Ru. Available at: <https://www.fontanka.ru/longreads/69553493/> (accessed 05.01.2022).

2021: “The Russian market is one of the most attractive in the world, with its profitability being one of the highest, but it is, of course, one of the most volatile markets regularly exposed to external shock<sup>4</sup>.”

As for the risk of the influence of the world prices on regional budget revenues, it is less noticeable in the Russian context. The reason is that the major producers are registered in Moscow (236 out of 500 with 50 % of the total revenue) and pay taxes in this region, which means that they do not directly affect the revenues of the budgets of the regions under consideration. The RBK-500 list (2021) companies<sup>5</sup> located in the regions under consideration and depending on foreign markets include Gazprom (St. Petersburg, fuel and energy complex), Rusal (the Kaliningrad region, metallurgy), Sodruzhestvo Group (the Kaliningrad region, agriculture), Ilim Group (St. Petersburg, wood industry), Transoil (St. Petersburg, transport), Segezha (Karelia, wood industry), Artis-Agro Export (St. Petersburg, agriculture), Ust-Luga Oil (the Leningrad region, transport).

The risk of monofunctionality as a threat can be grave for St. Petersburg after the final transition of Gazprom from Moscow, as well as for the Novgorod region due to the sharp deterioration in the world markets of chemical fertilizers (PJSC Akron employing 2 % of the region’s population) and, partially, for the Murmansk region, whose economy is based on the mining industry.

### ***Socio-demographic type of geoeconomic risks***

Here, we distinguish four geopolitical risks, with the risk of the threat of depopulation being the major in this group. Table 1 shows that the population in the regions under consideration increased by 2.3 %, while in the Leningrad region in 2014–2021 it increased by 6.6 %, primarily due to the districts and towns within the agglomeration of Greater St. Petersburg (Vsevolozhsky, Kirovsky, Tosnensky, Lomonosovsky, Gatchinsky districts). The Kaliningrad region also shows population growth (+ 5.2 %).

Table 3 shows four social indicators applied in the analysis of this risk-type. The most alarming situation is in the Pskov region and the Republic of Karelia, reflected in a high proportion of the poor (more than 15 %) and unemployment rate (from 5 to 8 %). The situation is somewhat better in the Novgorod, Kaliningrad and Murmansk regions due to a more diversified structure of the economy

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<sup>4</sup> Firms from Germany in 2022 expect business growth in Russia, but fear shocks, 2022, *Deutsche Welle*. URL: [www.dw.com/en/firmy-iz-frg-v-2022-godu-ozhidajut-rosta-biznesa-v-rossii/a-60071687](http://www.dw.com/en/firmy-iz-frg-v-2022-godu-ozhidajut-rosta-biznesa-v-rossii/a-60071687) (accessed 07.02.2022).

<sup>5</sup> RBC Pro presents the rating of Russia’s largest companies by revenue, 2021, *RBC*. URL: [pro.rbc.ru/rbc500?utm\\_source=rbc.ru&utm\\_medium=inhouse\\_media&utm\\_campaign=rbc\\_500\\_2021&utm\\_content=6193fe2a9a794700cad2ab0b](http://pro.rbc.ru/rbc500?utm_source=rbc.ru&utm_medium=inhouse_media&utm_campaign=rbc_500_2021&utm_content=6193fe2a9a794700cad2ab0b) (accessed 05.01.2022).

and the presence of large export-oriented industries. The most stable situation is in St. Petersburg and the Leningrad region, whose economy is diversified and has a huge consumer potential.

Table 3

### Social indicators of the Russian Baltic regions

Region	Unemployment rate, %		Share of population with an income below the subsistence level, %		Cost of a fixed set of consumer goods and services (at the end of the year), % to the Russian Federation		Consumption of potato and bread per capita, kg	
	2014	2019	2014	2019	2014	2019	2014	2019
St. Petersburg	1.4	1.4	8.3	6.5	107	109	161	150
Leningrad region	4.5	3.9	10.4	8.8	105	103	205	202
Kaliningrad region	5.4	4.4	12.1	13.6	102	102	220	204
Pskov region	6.5	5.1	16.1	16.2	97	94	186	189
Novgorod region	3.7	3.6	12.2	13.9	91	91	243	231
Murmansk region	6.7	5.4	10.9	10.6	122	118	155	151
Republic of Karelia	8.1	7.4	14.2	15.7	107	106	231	197

### Geopolitical type of geoeconomic risks

This type includes five geoeconomic risks and is discussed in detail in [16]. This type is present at a higher national level.

It is necessary to say here that the Baltic Sea Region is of profound, even crucial, importance in the geostrategic confrontation between Russia (and allied Belarus) and the West, which requires the reevaluation of the US and NATO strategy in it. Khudoley points out that the Ukrainian crisis has led to a sharp deterioration in political relations between Russia and other states of the Baltic Sea Region. He also rightly notes that the political rift between them, beginning to take shape in previous years, has become a reality [17]. It is no coincidence that in Russia, not only political and military circles but also the academic community [18] increasingly accept the idea that Russian geostrategy should aim primarily at transforming the geopolitical environment, forming friendly geopolitical shells around Russia, at making the country's space functional in terms of pursuing fundamental national interests and advancing socio-economic modernization. This idea was embedded in Russia's demands for security guarantees from the US and NATO at the end of 2021.

In this case, specific types of geoeconomic risks are determined by military-strategic and political decisions that the capitals of partner countries might take.

In December 2021, a new coalition government led by Chancellor Olaf Scholz came to power in Germany. The posts of Vice-Chancellor and Minister for For-

Foreign Affairs were occupied by the representatives of the Union 90/Greens party pursuing the most anti-Russian and Euro-Atlantic policies and threatening sanctions against the Nord Stream 2 gas pipeline.

In the post-socialist period, in the Baltic States and Poland, anti-Russian and Russophobic regimes have long been in power. Their short-sighted policy led to the fact that in the 2000s–2020s Russia created substitute port and logistics facilities in the eastern part of the Gulf of Finland with a cargo turnover of more than 250 million tons and built new gas pipelines under the Baltic and Black Seas. At the same time, Russia was forced to strengthen its military group in the Kaliningrad region.

The change of political regime in Finland can result in a reconsideration of the neutral status of this country and the deterioration of bilateral Russian-Finnish trade and economic relations. Suffice it to recall here that in her last New Year's address the new Prime Minister of Finland, Sanna Marin, on December 31, 2021, said: "We retain the opportunity to apply for NATO membership. We need to cherish this freedom of choice, as it concerns the right of each state to decide on its security solutions<sup>6</sup>." She added that Finland was strengthening its cooperation with the European Union in defense. Yet another cause for concern is third countries in every possible way pushing Finland to change its status. It is worth recalling here that, despite the Treaty of Paris (1947), after the conclusion of the Treaty on the Final Settlement with Respect to Germany, on September 21, 1990, Finland unilaterally declared that the military restrictions of the Treaty of Paris (except for the deployment of nuclear weapons) were no longer relevant and no longer in force [19]. It is no coincidence that as early as in 1995, the Government of Finland removed the notion of neutrality from the security report<sup>7</sup>, and the 1997 report states the possibility of receiving military assistance from outside<sup>8</sup>.

The major risk is the threat to foreign economic relations from the actions of third parties. It is worth mentioning here the sanctions imposed by Congress and the US Administration not only on major Russian energy projects (Nord Stream 2), but also on leading Russian companies and banks that carry out foreign economic activities in Europe<sup>9</sup>, including in the Baltic region.

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<sup>6</sup> The Prime Minister of Finland announced the possibility of the country joining NATO, 2021, *Vedomosti*, January 2. Available at: [www.vedomosti.ru/politics/news/2022/01/02/903583-premer-ministr-finlyandii-vozmozhnosti-vstupleniya-strani-v-nato](http://www.vedomosti.ru/politics/news/2022/01/02/903583-premer-ministr-finlyandii-vozmozhnosti-vstupleniya-strani-v-nato) (accessed 10.01.2022).

<sup>7</sup> Turvallisuus muuttuvassa maailmassa Suomen turvallisuuspolitiikan suuntalinjat Valtioneuvoston selonteko eduskunnalle 06.06.1995, 1995. Available at: [www.defmin.fi/files/246/2513\\_2143\\_selonteko95\\_1\\_.pdf](http://www.defmin.fi/files/246/2513_2143_selonteko95_1_.pdf) (accessed 07.02.2022).

<sup>8</sup> Euroopan turvallisuuskehitys ja Suomen puolustus Valtioneuvoston selonteko eduskunnalle 17.03.1997, 1997. Available at: [www.defmin.fi/files/245/2512\\_2142\\_selonteko97\\_1\\_.pdf](http://www.defmin.fi/files/245/2512_2142_selonteko97_1_.pdf) (accessed 07.02.2022).

<sup>9</sup> Review of the US, EU and Russian sanctions regime, 2019, Danilov and partners. URL://[danilovpartners.com/en/publikacii/obzor-sankcionnogo-rezhima-ssha-es-i-rossii-2/](http://danilovpartners.com/en/publikacii/obzor-sankcionnogo-rezhima-ssha-es-i-rossii-2/) (accessed 22.02.2022).

Thus, the geoeconomic risks to the Russian Baltic regions fall into four types: spatial, economic, socio-demographic, and geopolitical. Despite the small number of the regions considered, their potential, capabilities and positioning in the region are clearly very different. Below we will consider specific geoeconomic risks of two groups: “spatial and geopolitical type” (Table 4) and “economic and socio-demographic type” (Table 5).

Table 4

**Spatial and geopolitical type of geo-economic risks to the Russian Baltic regions**

Risk	SPb	LR	PR	NR	KR	MR	RK
S-1	+	++	++	0	+++	++	++
S-2	+	++	+	+	++	0	+
S-3	+	++	++	0	+++	+	++
S-4	0	0	0	0	+++	0	+
G <sub>4</sub> -14	+	++	+	+	++	+	+
G <sub>4</sub> -15	+	++	++	0	+++	++	+
G <sub>4</sub> -16	0	++	+	0	+++	++	+
G <sub>5</sub> -17	0	+	+	0	+	++	++
G <sub>6</sub> -18	0	++	+	0	+++	++	+

*Note:* SPb — St. Petersburg; LR — the Leningrad region; PR — the Pskov region; NR — the Novgorod region; KR — the Kaliningrad region; MR — the Murmansk region; RK — the Republic of Karelia;

+++ — the risk is substantial; ++ — the risk is significant; + — the risk exists; 0 — the risk is absent or hardly visible.

Table 5

**Economic and socio-demographic type of geoeconomic risks to the Russian Baltic regions**

Risk	SPb	LR	PR	NR	KR	MR	RK
E <sub>1</sub> -5	++	+++	+	++	+++	0	++
E <sub>1</sub> -6	++	+++	+++	+	+++	0	++
E <sub>2</sub> -7	+++	++	0	++	++	++	+
E <sub>3</sub> -8	+++	+	0	+++	+	+++	++
E <sub>3</sub> -9	0	+	0	+	+	++	+
S-10	0	+	+++	++	++	+	+++
S-11	0	+	+++	++	++	+	+++
S-12	0	+	+++	++	++	+	+++
S-13	0	+	+++	+++	+	+++	+++

*Note:* SPb — St. Petersburg; LR — the Leningrad region; PR — the Pskov region; NR — the Novgorod region; KR — the Kaliningrad region; MR — the Murmansk region; RK — the Republic of Karelia;

+++ — the risk is substantial; ++ — the risk is significant; + — the risk exists; 0 — the risk is absent or hardly visible.

## **Conclusion**

The author's methodology was used to analyse the geoeconomic risks of seven Russian Baltic regions. Many Russian and international researchers characterize the study period, 2014–2021, as that of increasing geopolitical turbulence, and since the end of 2021 — a sharply aggravated geopolitical situation. The geopolitical turbulence in Europe is provoked by the internal political crisis in Ukraine (2013–2014) and the events that followed it (the 2014 coup in Ukraine, the Crimean Spring, the armed conflict and civil war in eastern Ukraine, increased NATO military activity in Eastern Europe, the special military operation of the Russian Armed Forces in Ukraine, etc.). The dramatic geopolitical deterioration is accompanied by a marked worsening in the geoeconomic situation caused by reciprocal restrictive measures by the countries of the West and Russia in trade and economic, investment, cultural and humanitarian, scientific and technical, and cross-border cooperation. The mass exodus of Western, including European, companies from the considered border regions of Russia is double-edged. The main objective of any company is to make a profit and increase its competitiveness in global markets. The withdrawal of these companies from the 145-million Russian market will lead not only to a drop in profits and exports but also to significant reputational losses. Sooner or later, Western companies will be replaced by local ones or investors from the Asia-Pacific region, the Middle East, Africa and Latin America.

In this regard, we have hypothesized that the Russian Baltic regions are in a rather vulnerable position. It is important that geographically they are adjacent to the EU countries, they have common borders, long history of cross-border cooperation, and well-established economic relations with the countries in the Baltic Sea Region. The study showed that the spatial and geopolitical types of geoeconomic risks are substantial for the Kaliningrad region, primarily due to its special economic and geographical position and the economic development path the region has been following last 30 years: excessive openness and dependence on the global economy and export-import operations. These risks are least significant for the Novgorod region as an internal region and St. Petersburg, a multi-functional and powerful economic centre firmly embedded in the spatial structure of Russia. The economic and socio-demographic types of risks are more complex to assess, they mostly affect the Pskov region, the Republic of Karelia. For the Novgorod and Kaliningrad regions, they are noticeable.

The hypothesis was partially confirmed, and the research tasks were completed. Future research involves providing each type of geoeconomic risk with additional indicators and expanding the set of regions to the entire North-Western macroregion of Russia, which in the 2000s–2020s became the leading foreign economic operator.

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